

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY ANKARA

AMEMBASSY ATHENS

AMEMBASSY NICOSIA

AMEMBASSY MADRID

AMEMBASSY LISBON

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E.O. 11652: N/A

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SUBJECT: ELIGIBILITY FOR GSP BENEFITS

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REFS: (A) STATE 27692 (TO ANKARA), (B) STATE 35855 (TO MADRID), (C) MADRID 2255 (NOTAL), (D) ANKARA 2448 (NOTAL)

1. AS REPORTED REFTTEL, PRESIDENT HAS SIGNED EXECUTIVE ORDER DESIGNATING GSP BENEFICIARIES. WITH THIS MAJOR TASK COMPLETED, EFFORT TO RESOLVE STATUS OF POTENTIALLY ELIGIBLE COUNTRIES WILL BE ACCELERATED. AMONG POTENTIALLY ELIGIBLE, STATUS OF HOST COUNTRIES OF ACTION ADDRESSEES APPEARS MOST SUITABLE FOR EARLY CONSIDERATION. PRIMARY OBSTACLE TO DESIGNATION AS BENEFICIARY IN EVERY CASE IS QUESTION OF WHETHER PREFERENCE TREATMENT GRANTED TO EUROPEAN COMMUNITY UNDER ASSOCIATION AGREEMENTS HAS OR IS LIKELY TO HAVE SIGNIFICANT ADVERSE EFFECT ON U.S. COMMERCE. (TRADE ACT MAKES NO DISTINCTION BETWEEN PREFERENCES WHICH ARE GRANTED IN THE CONTEXT OF FREE TRADE AREA OR CUSTOMS UNION ARRANGEMENT AND THOSE WHICH ARE NOT. QUESTION OF ELIGIBILITY RAISED BY SECTION 502(B)(3) HINGES ON WHETHER OR NOT PREFERENCES HAVE OR ARE LIKELY TO HAVE SIGNIFICANT ADVERSE EFFECT ON U.S. COMMERCE. HOUSE AND SENATE COMMITTEE REPORTS ON TRADE ACT SPECIFICALLY MENTION

EC-MEDITERRANEAN AGREEMENTS IN CONTEXT OF THE PURPOSE OF REQUIREMENTS OF SECTION 502(B)(3).)

2. ANALYSIS OF EFFECTS ON U.S. TRADE OF PREFERENCES GRANTED UNDER EACH OF THESE ASSOCIATION AGREEMENTS IS CURRENTLY UNDERWAY IN WASHINGTON AGENCIES. ALTHOUGH RESULTS OF ANALYSES WILL NOT BE AVAILABLE FOR SEVERAL WEEKS, IT IS EXPECTED THAT IN THE CASE OF MOST (AND PERHAPS ALL) OF THE AGREEMENTS, PREFERENCES GRANTED WILL BE VIEWED AS HAVING OR BEING LIKELY TO HAVE SIGNIFICANT ADVERSE EFFECT ON U.S. COMMERCE.

3. GIVEN IMPORTANT U.S. INTERESTS IN ALL OF THESE COUNTRIES IT IS ESSENTIAL THAT WE NOT APPLY CONTROVERSIAL PROVISIONS OF TRADE ACT IN INCONSISTENT MANNER IN DETERMINING GSP ELIGIBILITY OF THESE COUNTRIES. ISRAEL, WHOSE GSP STATUS IS ALSO BROUGHT INTO QUESTION BY SECTION 502(B)(3), HAS ALREADY INDICATED ITS WILLINGNESS TO DISCUSS AND RESOLVE ISSUE OF LIMITED OFFICIAL USE

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ADVERSE TRADE EFFECTS.

4. IF HOST GOVERNMENT HAS EXPRESSED INTEREST IN GSP BENEFICIARY DESIGNATION, EMBASSY SHOULD REVIEW PROVISIONS OF SECTION 502(B)(3) OF THE TRADE ACT AND INDICATE THAT U.S. IS WILLING TO UNDERTAKE CONSULTATIONS ON MANNER IN WHICH ANY SIGNIFICANT ADVERSE EFFECT MIGHT BE ELIMINATED AS A MEANS OF MEETING THIS REQUIREMENT

OF THE TRADE ACT. IF ANY OF THE HOST GOVERNMENTS IS
PREPARED TO ENTER INTO SERIOUS CONSULTATIONS TO THIS

END, SECTION 502(C)2--DISCRETIONARY FACTOR RELATING TO
DEVELOPING COUNTRY STATUS--WILL NOT BAR DESIGNATION AS
GSP BENEFICIARY THOUGH ALL MANDATORY PROVISIONS OF
GSP (E.G., SECTION 502(B)4 ON NATIONALIZATION) MUST OF
COURSE BE MET. U.S. WILL ALSO WISH TO RECEIVE ASSURANCE
THAT GSP DESIGNATION WILL NOT HAVE A BEARING ON
COUNTRY'S WILLINGNESS TO ACCEPT OTHER INTERNATIONAL
ECONOMIC RESPONSIBILITIES WHERE COUNTRY HAS CAPABILITY
OF MAKING SUBSTANTIAL CONTRIBUTIONS TO IMPROVEMENT OF
THE INTERNATIONAL ECONOMIC FRAMEWORK. THE
DESIGNATION OF ANY COUNTRY AS A GSP BENEFICIARY
PERTAINS ONLY TO TITLE V OF THE TRADE ACT AND HAS NO
BEARING ON WHETHER IT WOULD BE CONSIDERED DEVELOPING
IN ANY OTHER CONTEXT. KISSINGER

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